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Weekly Contributions 24-50

ORE, CIA

13 June 1950

The possibility of Brazilian legislation affecting US imports of critical and strategic materials (p. 3) seems to ☐ to merit particular attention this week.

CURRENT DEVELOPMENTS

NORTHERN AREA: In Cuba, one result of the June elections has been to strengthen temporarily the Communist political position (p. 2). The Haitian military junta's initial activities have been constructive (p. 2).

CENTRAL AREA: In Brazil, political pressures in an election year may lead to passage of legislation restricting export of strategic and critical materials (p. 3). The Colombian labor movement is losing its independent capability of serving as a check on arbitrary government action (p. 4).

SOUTHERN AREA: The increase in Chilean strikes appears to have primarily a political motivation (p. 4).

GENERAL: Considerable reaction may be expected in Latin American coffee-producing countries to the recommendations of the Gillette subcommittee (p. 5).

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DOCUMENT NO. 24
NO CHANGE IN CLASS. 11
X DECLASSIFIED
CLASS. CHANGED TO: 1S 3 C
NEXT REVIEW DATE:
AUTH: HR 10-26-79
DATE 10-26-79 REVIEWER: ☐

State Dept. review completed

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13 June 1950

1. CUBA: Communists Gain Politically from June Elections

The net effect of the June election has been to strengthen temporarily the Communist position in Cuba, particularly in the propaganda advantage afforded. The Communists themselves claim that their Partido Socialista Popular, which joined with the anti-Prío Auténticos, the Republicans, and Batista's party (PAU) to elect Nicolás Castellanos mayor of Habana, has scored a "Communist triumph". Castellanos has admitted that Communist aid was one decisive factor in his victory over Antonio Prío, the president's brother. Other "Communist triumphs" resulted from electoral pacts between the Communists and non-Communists in various parts of Cuba, and the Communists, who for several months have made good propaganda usage of their acceptance in electoral partnerships, are now doing the same with the election victories. It is true that outlawing the Communist Party in the near future, as US Embassy Habana considers possible, would cancel their election gains. But it is by no means certain that Cuban authorities will find such a move politically expedient at this time. Lesser repressive measures would have no great effect on Communist strength or influence.

2. HAITI: Military Junta Activities Constructive

The Haitian military junta is following a conciliatory domestic policy. One example is the appointment of a consultative council comprised of twenty-five prominent citizens representing all geographical regions as well as both black and mulatto elements. The state of seige, which has been in effect almost continuously since March 1949, will probably be lifted shortly. If civil liberties are in fact restored, Minister of Interior Magloire can be counted on to deal firmly with any abuse on the part of the press or public.

An effort to return to the conservative fiscal practices that prevailed prior to the Estimé regime is evident in the careful review of Haiti's public finances now being conducted. In order to eliminate the \$2.3 million treasury deficit incurred under Estimé, general expenditures are being pared by such measures as permanently closing the expensive Exposition. Further economies, such as withdrawing Haiti's application for membership in the International Bank and the Monetary Fund, are being considered. These economies, however, will not seriously affect previously initiated projects of socio-economic value such as the 1950 census, the Eximbank-financed Artibonite development, the literacy program, and the joint UNICEF-government campaign to eradicate yaws and syphilis.

First international acts support the judgments expressed in recognition of the junta by countries of international importance to Haiti. As an earnest of its intention to meet external obligations, the government has paid \$315,000 to the US against the \$5.5 million 1938 public works loan, leaving an unpaid balance of only \$430,000.

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After more than a year without exchanging ambassadors, it seems likely that Haiti will resume full diplomatic relations with the Dominican Republic, thus contributing to the easing of congenital friction between the two countries.

The complete calm prevailing during the month following ex-president Estimé's ouster may be accepted as an augury of the present government's continuing stability. There is little likelihood that the junta, supported as it is by the army, clergy, press, and business community, will be seriously embarrassed by the opposition of the small Communist Party (PSF), by Daniel Fignolé's amorphous labor organization (MOP), or by the disgruntled political clients of the former president, who is now exiled in France.

7. BRAZIL: Draft Legislation Would Curtail Mineral Exports to US

A bill, reportedly already approved by the Constitution Committee of the Chamber of Deputies, can, if enacted, seriously affect US imports of several important critical and strategic minerals. This bill would: prohibit the exportation of fissionable elements as well as the minerals of thorium and uranium; give general control to the Brazilian National Security Council of the exportation of rare metals and those minerals which contain them, as well as essential minerals whose known reserves are insufficient for the internal requirements of the country; and give to the same agency the control of the execution of the general policy of mining, beneficiation, and industrialization of minerals that contain rare or fissionable elements.

Although this bill was aimed particularly at monazite, it has been indicated by Brazilians that other minerals -- such as beryl and zirconium, and possibly tantalite, columbite, lithium ores, and tungsten ores -- are considered utilizable in nuclear-energy applications. If the inclusion of these ores in the list of those required for nuclear-energy purposes cannot be justified, an attempt may be made to include them under those of which the reserves are too small for Brazilian requirements. It is also true that further exports of manganese from the only producing area -- Minas Gerais state -- could be curtailed under this bill.

The pressure for this bill seems to come principally from those seeking to make political capital of the issue -- extreme nationalists and the Communists and the politicians merely striving to win votes during the period prior to an election in which it appears that nationalism -- "Brazil for the Brazilians" -- will be an important issue. The proponents of this bill, however, may also have aimed it at the foreign firms now exporting these raw materials, in an effort to force them to establish plants in Brazil to beneficiate the ores and so to give further employment to Brazilians and increase the inflow of foreign capital investment.

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Although other mining legislation, including an over-all mining code, has been under study in the Brazilian legislature for more than two years, election year political pressures may possibly force passage of this bill before the October elections.

4. COLOMBIA: Labor Movement Weaker

Labor, as an independent force capable of checking arbitrary government action, is becoming weaker under the Conservative regime. The present administration, apparently with the objective of discouraging the now-Liberal-dominated CTC (Colombian Workers' Confederation), has failed to confirm the legality of the CTC convention results of 6 May, in which the Communists were ousted from leadership ☐ Wkly, 9 May 50). In addition, the administration has delayed action on a request to declare that the dissident Communist-led faction has no status, thus keeping both factions in a questionable legal position. In the present situation, only the Conservative-and-Church-backed UTC (Union of Colombian Workers) has a legally recognized governing body.

The present administration may be expected to continue to oppose any labor organization it does not control. In the case of the Liberal CTC, two paths of action are now open. It may delay its decision on the status of the Communist-led faction of CTC for a protracted period even though it is not expected to take positive action encouraging that faction, in an attempt further to weaken the Liberal organization. Alternatively, it may finally bring about a decision adverse to Liberal-sponsored CTC in the still-pending legal case ☐ Wkly, 24 Jan 50). There is apparently no group in Colombia both willing and able to make an effective protest against either alternative.

5. CHILE: Present Strikes Appear Politically Inspired

Copper, nitrate, construction, and gas and electric company workers, totaling 10,000, have now joined the almost constant series of strikes since President González Videla's return from the United States. Employers report that the unions are avoiding discussion of issues and assert that the real strike motives are obscure; some of the strikers' demands are, in fact, patently unreasonable. A decree ordering nitrate and copper workers back to work has been ready for presidential signature since 7 June, but has not yet been reported signed.

☐ believes that these strikes constitute a political maneuver to create pressure to force passage of Finance Minister Vial's wage-increase and taxation bill in the Chilean Senate where severe opposition is expected. Delay in signing the back-to-work order further indicates that the president does not consider the situation dangerous to stability or to the national economy.

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6. GENERAL: Gillette Report Will Arouse Adverse Reaction

There is certain to be considerable reaction among the coffee-growing nations of Latin America to last Friday's announcement of the recommendations of the Gillette subcommittee which had been studying the cause for the sharp rise in coffee prices. Although the Gillette report will have no official status unless adopted by the US Senate, many Latin Americans will claim the subcommittee's report is US intervention in purely local affairs, as has already been stated by some Colombian officials, and it can be expected that they will continue to point up the considerable post-war rise in prices of their imports from the US. If these recommendations do become official, it is possible that discussions of a US-Brazil treaty for the elimination of double taxation may be seriously handicapped, that negotiations for increased US exploitation of the vast manganese deposits in Brazil may become more difficult, and that the increasing anti-US feeling may be further aroused. Approval of the Gillette report would stimulate latent anti-US sentiment in Colombia and would seriously embarrass negotiations for the US-Colombia trade treaty. Similar reactions can be expected in other coffee-producing countries.

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Situation Memorandum 36-50

13 June 1950

The Current Situation in Guatemala

(Summary — The activities of Colonel Jacobo Arbenz, PAR presidential candidate, continue to dominate the political scene. Resignation of Communist leaders from the PAR may benefit Arbenz, who must now compete for popular support with Dr. Victor Giordani, candidate of the large, moderately leftist FPL. In economic affairs, the decision of the United Fruit Company to abandon its Atlantic Coast banana plantations will have important political and economic repercussions; however, no immediate effect on the national economy is foreseen. Communists appear to be isolating themselves politically by their excessive zeal in attacking the US. The army and air force remain weak politically and militarily. Relations with the US have deteriorated, but indirect attempts at conciliation may be forthcoming.

— The possibility that the Communists may become estranged from their political host party, thereby weakening their influence, is the most significant development affecting US security interests.)

Political

The political scene continues to be dominated by the activities of Colonel Jacobo Arbenz and his leftist supporters. The campaign alignment of Arbenz (presidential candidate of the Partido Accion Revolucionaria) with organized labor has given pro-Communist labor leaders the means and the opportunity to disseminate vicious anti-US propaganda. Although Arbenz himself has adopted a nationalistic, anti-imperialistic campaign line, it has been more temperate than that of his extremist supporters, some of whom have now resigned from the PAR on the grounds that its leaders are yielding to "imperialistic" (i.e., US) pressure. The resignations of these pro-Communists may benefit Arbenz by relieving him (as PAR candidate) of the responsibility for their actions, since it is clear that Arbenz does not wish to appear as a pro-Communist himself or as an irreconcilable opponent of US business interests.

Arbenz, the strongest candidate, now has to contend with a rival — Dr. Victor Giordani, candidate of the moderate leftist Frente Popular Libertador who may find support among conservatives, anti-militarists and intellectuals, business and professional men, and even among portions of the labor movement which may distrust the sincerity of Arbenz' avowed pro-labor policy.

Of the current political developments, the tendency toward the isolation of the Communists (as indicated by the recent resignations from the PAR) is favorable to US security interests.

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Economic

The most significant economic development of recent months has been the decision of the United Fruit Company to abandon its Atlantic Coast banana plantations at Bananera. This decision, due primarily to severe storm damage and disease conditions, will have both political and economic repercussions. It is unlikely that operations on the plantations can be, or will be, suddenly discontinued, and the withdrawal may be gradual over a period of a year or more. In the long run, the national economy may not be greatly affected, since Atlantic Coast bananas represent only about one fifth of total banana exports and continued high coffee prices will compensate for loss of banana income. However, the withdrawal will injure the economy of the Bananera region and will affect the welfare of some 3500 workers and their dependents.

As a consequence of the United Fruit Company decision, presidential candidates and the administration may find it desirable to clarify their attitudes towards US business. They will, in effect, have to choose between the extreme, impractical approach of the demagogic nationalists who may demand aggressive retaliatory action (such as expropriation) and a more moderate, more practical, and more conciliatory approach which would assure cooperation on the part of the Fruit Company in minimizing the disruptive effects of the plantation shutdown. There is some evidence that the demagogic nationalist approach will be rejected, or at least ignored, by the candidates and the government. The PRR, most radical of the political parties, has already lost its ultra-nationalist, pro-Communist contingent. Although the government has not yet responded to the situation, it has recently recognized the need and desirability of cooperating with some US businesses by rejecting the Mexico-Guatemala chicle agreement so as to permit selling to a US chicle buying firm and by granting a US-owned mining company a contract to exploit lead mines in Huehuetenango. Also, there are prospects of agreement on the renewal of the Pan American Airways operating contract.

In general, there has been no change in the apparent stability of the national economy as a whole, though economic difficulties within government agencies are indicated by transfers of funds and delay in meeting obligations. Current developments in economic policy tend to favor US business interests.

Military

There has been no substantial change in the military situation. The morale of armed forces remains low. Presumably, military funds continue to be diverted for personal and political ends rather than for necessary military expenditures, causing key officers to remain loyal to the administration and to presidential candidate Arbenz.

No substantial change in the military situation is anticipated.

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Subversive

Aided by their campaign alignment with the PAR and Colonel Arbenz, and their affiliation with the CTAL, pro-Communist labor leaders have been extremely successful in flooding the country with anti-US propaganda. On May Day, and at various political rallies, Manuel Pinto Usaga and other leaders have denounced US policy as imperialistic, interventionist, aggressive, and hypocritical, while they praised the "nations striving for peace". However, this excessive zeal apparently hampers the Arbenz candidacy and consequently has brought about a schism in the PAR, the party through which Communists have exerted political influence. The PAR has officially disclaimed responsibility for the strongly anti-US slogans recently painted on the walls of the US Embassy, and its feeling against frank anti-US, pro-USCIB propaganda has caused the resignation of ten pro-Communists. These included Manuel Pinto Usaga and Jose Manuel Fortuny who, nevertheless, have reiterated their support of Arbenz.

At the moment, therefore, a reaction to the excessive propaganda of recent months is tending to isolate the Communists. It is true that the Communists may have resigned from the PAR in order to assure wider popular support for their candidate, Arbenz, while leaving themselves free to disseminate anti-US propaganda. However, believes that these resignations are indicative of a fundamental split between party-line Communists and non-Communist leftists. US interests are favored to the degree that the Communists are isolated and deprived of the facilities and protection of their host party, the PAR.

International

In recent months, the conduct of Guatemala's foreign relations with the US has reflected the rabid nationalism evident in the presidential campaign. The influence of extreme nationalists was indicated by Guatemala's official (though unwritten) request that US Ambassador be recalled on the grounds that his life was in danger because of his "interference" in Guatemalan affairs. This request immediately produced mutually antagonistic charges of "Communism" and "imperialism" in US and Guatemalan political circles, which have impaired relations between the two countries. The Guatemalan government, by permitting and facilitating Communist-inspired propaganda attacks against US, has further alienated US opinion.

Although Guatemala's anti-US actions have impaired relations with the US, it is believed that worsening relations have focussed attention upon the basic necessity of political and economic cooperation between the two countries. While it is unlikely that the Guatemalan government will alter its stand toward Ambassador Patterson (whose personal unpopularity is not limited to extremists) or prohibit unofficial attacks on US "colonialism" and "imperialism", it is possible that some indirect conciliatory action will be taken. Insofar as relations with other countries are concerned, it is believed that Guatemala's present antagonism toward military dictatorships and anti-labor governments will continue to be emphasized.

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The Current Communist Situation in Latin America

(Summary -- Most important of Communist activities have been those connected with the "peace" campaign, the CTAL conference in Montevideo, and the Uruguayan wool strikes. The trend of political influence has been marked by losses in Venezuela, Panama, and Guatemala (including steps toward outlawing of the Communist Party in the two former), and gains in Cuba, Chile, and Trinidad. Observed trends are expected to continue, except that the Cuban government may begin some anti-Communist action.)

Current Activities

The "peace" campaign has been an important theme in all Communist activity during the past quarter. Although no overt physical violence directly related to the "peace" movement has yet been reported, the tone of its propaganda is becoming more militant, with emphasis on the fight for peace by all possible means. Inactive "peace" committees have been reorganized, without much regard for hiding Communist influence in them, and active committees have closely followed instruction from the Paris headquarters of the Partisans of Peace. Communist front-group activity was also used for "peace" and other Communist propaganda purposes. During April several women's front groups held national congresses, at each of which "peace" was a main topic on the agenda. Organization of a number of evanescent front groups was started in various countries by the Communists. In each case, the organizational efforts themselves were used for propaganda purposes and as a basis for the collection of funds. Counter-propaganda to the "peace" campaign apparently has not been effective enough to prevent the Communists from collecting funds in the name of "peace" and from securing thousands of signatures for "peace" petitions.

The pro-Communist CTAL conference in Montevideo held 27-31 March was used as a vehicle for "peace" propaganda as well as for CTAL organizational purposes. In addition to speeches on "peace", a resolution reportedly was adopted to prevent the shipment of essential materials to the US in case of war. In order to bolster the waning CTAL strength and to give greater force to its propaganda, regional CTAL committees were formed. Nevertheless, the CTAL lost influence during the quarter. Losses included the defection of the Colombian CTC as an affiliate; the dissolution by the government of the Communist-dominated Venezuelan petroleum federation; and the withdrawal of the Mexican Miners' federation from the Lombardo-sponsored UGOCM, which is affiliated with the CTAL and the WFTU.

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In Montevideo, the prolonged strike of Communist wool workers and the shorter sympathy strikes of truck drivers and port workers paralyzed the movement of wool to US markets for approximately three months withholding an essential commodity from US markets.

Trends

The political influence of Communists continued in divergent trends in the different Latin American countries with significant losses in Venezuela, Panama, and Guatemala; and gains in Cuba, Chile, and Trinidad.

The Venezuelan government, largely in reaction to a Communist-instigated petroleum strike, outlawed the "Red" Communist Party and the Communist-dominated petroleum labor federation and petroleum labor unions, and also confiscated Communist Party property. The government, however, did not outlaw the splinter "Black" Communist Party.

In Panama, the president issued an executive order to outlaw the Communist Party and all Communist activity. The decree, however, has not yet been enacted by the legislature nor has it passed the supreme court test of constitutionality.

The loss of support of the major leftist party (PAR) by the Communists in Guatemala may prove to be the beginning of a serious setback to them in that country where a Communist Party is not legal. Communist influence, consequently, has emanated largely from a few individuals, who have been able to identify themselves with the PAR. They have been gradually gaining greater political influence through control of labor unions, through active participation in political affairs, and through support from certain key people in the administration. Early in May, however, possibly because of disagreement about Communist propaganda, a schism developed in the PAR and as a result ten Communists and pro-Communists, including two important labor leaders, resigned from that party.

There were also some minor Communist losses. In Bolivia, although Communist activity was illegal under a 1938 law, a new law was passed on 8 April outlawing the Communist Party and any of its subsidiary organizations. Communist efforts to develop some political and labor strength in Argentina and Mexico were more than offset by losses sustained from continued anti-Communist government maneuvers in Mexico, and from outright repression in Argentina. In Colombia, the Communists lost labor influence when the CTC withdrew from the CTAL and WFTU and decided to join the anti-Communist world and hemisphere trade union organizations.

Communists have made gains, on the other hand, in Cuba, Chile, and Trinidad. The Cuban Communists have increased their influence as a

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result of the collaboration with moderate conservative parties in the recent by-elections, and especially in the election of the Habana mayor in which the Communist-backed candidate won. In Chile, the Communists have been benefitted by the political collaboration of Ibañez del Campo and thereby have slightly increased their political influence, at least in some sections of the country. In Trinidad, the Communists revived the West Indian National Party and may therefore be gaining in strength.

Probable Future Developments

Communist political influence in Guatemala may be reduced during the coming quarter; in Panama efforts to suppress the Communist Party will probably continue; in Cuba the administration may attempt to reduce the strength of the Communists; but in Brazil and Chile during the period prior to the coming elections, the Communists may make some slight gains. The political status of the Communists in the other countries is expected to change little.

Communist labor influence is expected to decrease further in Mexico, Venezuela, and Colombia, and also slightly in Chile. On the other hand, in Uruguay and El Salvador, the Communists may further consolidate their labor position.

The "peace" campaign is expected to continue, though no Hemisphere-wide "peace" conference is expected during the next three months. Organizational activities will continue with some minor successes probable. Anti-US propaganda will be slightly more limited than previously due to closing of some Communist publications, though undoubtedly the Communists will find a way to continue such propaganda.

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